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SUBJECT: C-TN6-01921: SASOL CHEVRON FIRST OF MANY IN QATAR  
GTL

REF: A. 05 DOHA 934

¶B. 04 DOHA 1323

¶11. (U) Summary. Sasol Chevron's Qatar Country Manager and Public Relations Executive told Emboffs February 6 that the GTL industry is in the phase that liquefied natural gas was 15 years ago, and they expect GTLs will follow the same course. Sasol's Oryx plant will produce 34,000 barrels per day (b/d) of liquids while Shell's upcoming Pearl project will produce 140,000 b/d and ExxonMobil's plant is expected to produce 154,000 b/d. Sasol Chevron officials described their efforts to employ Qataris and enhance Qatar's knowledge base in GTL technology. Future GTL projects are currently on hold for Sasol Chevron as Qatar has paused additional gas development and officials are waiting to compete not only with other international companies, but also with neighboring GCC countries. Sasol Chevron officials told Emboffs that the company intends to be patient in securing additional projects because they see a viable future for Qatar and GTL in the energy markets. End Summary.

¶12. (U) Sasol Chevron was founded in 2000 with the 50/50 merger of South African alternative fuel specialists, Sasol and U.S. oil giant, Chevron. Sasol Chevron officials told Emboffs that Chevron was looking for new businesses and saw potential in the gas-to-liquid (GTL) arena. Chevron sought out Sasol's expertise in GTL because of Sasol's work in Nigeria. The company combines Chevron's upstream knowledge and technology with Sasol's downstream skills. Sasol utilizes a proprietary process called the Slurry Phase Distillate Process to convert synthetic gas into a state to be "cracked" into marketable products. Sasol Chevron is a separate entity from the parent companies and is pursuing GTL projects apart from Sasol. For example, the recently-completed Oryx GTL project in Ras Laffan Industrial City is a Sasol venture, but Sasol Chevron officials work closely with the Oryx management because of their intentions to have expansion projects under Oryx.

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NATIONALS CONTRIBUTING FROM START  
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¶13. (SBU) Pat Butcher, Sasol Chevron Country Manager, told Emboffs on February 6 that Qataris have been part of the Oryx project from engineering, procurement, and construction (EPC) stage, with about 25 percent of the workers from the national population. The original goal was 50 percent but because of a lack of qualified workers and cultural limitations, this has not been achieved. Qataris are involved in all aspects of the project from senior management to actual operators at the plant. According to Butcher, the company welcomes this transfer of technological expertise and has no concerns about intellectual property rights violations.

**¶4.** (U) Butcher also said that in recruiting Qataris to work with Sasol Chevron and on the Oryx project, women are some of the best candidates. The top graduates from the engineering programs at Texas A&M-Qatar and Qatar University are female and Sasol Chevron would like to hire them, but because Qatari culture has not caught up with the idea of women in authority positions in technical fields, this process has been slow. Sasol Chevron has an outreach program with Qatari female engineering students in the hopes of hiring them in the future.

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MORATORIUM ON FUTURE PROJECTS  
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**¶5.** (SBU) Currently, feedstock for the Oryx plant comes from ExxonMobil's Al Khaleej project in the North Field. Sasol Chevron wants to expand production in the Oryx plant from 34,000 barrels per day (b/d) to 100,000 b/d but their plans are on hold, as Qatar Minister of Energy and Industry Abdullah bin Hamad Al-Attiyah has placed a moratorium on negotiating new natural gas projects until 2009 (ref A). At a conference last week in Abu Dhabi, Minister Al-Attiyah confirmed that the moratorium would be lifted in 2009, and that thereafter Qatar hopes to boost its output and exports. During the moratorium period, the Qataris will complete a resource review of the North Field. The review is meant to more accurately determine oil and natural gas reserves in order to formulate a prudent plan for production and allocation of these resources. Butcher told Emboffs that in the review, Qatar Petroleum is also looking below the North Field to more gas and oil resources, perhaps even doubling the current oil reserve numbers. The driver behind the resource review is Mr. Saad al-Kaabi, the U.S.-educated Qatar Petroleum Director of Oil and Gas Ventures. Mr. Ali

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al-Sadiqqi will head the downstream portion of the review. Over the long-term, Qatar plans to become the "GTL Capital of the World," according to Minister al-Attiyah (ref B).

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THE GTL CATCH-22  
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**¶6.** (SBU) The Oryx plant cost USD 1 billion in 2003 to construct-- mostly via project finance --but the same plant would cost USD 2-3 billion today because of the tight contracting market, according to Butcher. He also noted that the Shell's 140,000 b/d Pearl GTL project is expected to cost somewhere between USD 12-18 billion to build because of its magnitude and Qatar Petroleum says ExxonMobil's 154,000 b/d plant will cost USD 7 billion. The increased attention to alternative fuels and the booming energy market have generated numerous projects in Qatar and throughout the region which in turn is squeezing the contracting industry, resulting in larger EPC costs. While Butcher stated that higher energy prices and technology improvements make GTL projects more commercially viable at this time, he acknowledged that this might not have been the case in a quieter market. Nonetheless, Butcher told Emboffs that GTL is in the phase that liquefied natural gas was 15 years ago and that they expect GTLs to follow the same course.

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ORYX'S GTL MARKET  
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**¶7.** (U) Butcher said there is a strong demand for "clean" fuels such as GTL, especially in Europe where the entire Oryx product is exported. Europe has a huge demand for diesel because 0 percent of the cars there run on diesel fuel. Butcher claimed that vehicles run on GTL diesel enjoy much better performance than those run on regular diesel. Currently world diesel usage is estimated at 12 billion barrels per day, but only a small fraction of this is

GTL-based diesel. Butcher noted that old diesel refineries are not meeting the new higher standards for diesel production and GTLs may help them meet the new operation specifications and keep the older refineries in operation longer. While the primary end-product of GTL is diesel fuel, some naphtha and liquefied petroleum gas is also produced.

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SECURITY & POLITICAL CONCERNS  
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¶ 8. (SBU) Butcher did not express any concerns about security at Ras Laffan and appeared generally pleased with the level of protection. He also did not express any worries about political and business instability in Qatar. Butcher did acknowledge that Iran is a worry and that with big U.S. energy companies heavily involved in Qatar, Ras Laffan is a prime target for terrorists or Iranian agents to destabilize the Gulf. He also voiced some worry over who--GCC neighbors or foreign investors--would receive priority for Qatar's additional gas resources once the review is complete. Sasol Chevron is competing not only with other international energy companies but also the United Arab Emirates, Oman, and Bahrain for Qatar's gas. According to Butcher, the Shell and ExxonMobil GTL projects will receive their feedstock because those agreements were signed before the hold was in place.

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SUCCESSOR TO AL-ATTIYAH?  
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¶ 9. (SBU) Butcher opined that if the powerful Minister of Energy and Industry Al-Attiyah ever stepped down, QatarGas Chairman and CEO Faisal al-Suwaidi is a likely replacement. Mr. al-Suwaidi has gained prominence in high circles of the Qatari government. He sometimes accompanies the Energy Minister on international visits and frequently appears in the media discussing major energy projects.

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COMMENT  
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¶ 10. (SBU) Just as Qatar has begun to diversify its liquefied natural gas (LNG) customer base it is looking to GTL -- along with piped natural gas -- as ways to diversify its product line. Qatars believe that they can help create new markets and shape the industry, as they have done with LNG. In addition, Post agrees with Butcher's thought that Mr. al-Suwaidi is a potential candidate for future Minister of Energy and Industry, because of his knowledge of the energy

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industry. However, al-Attiyah has been more than a CEO. He has been a veritable statesman on the world energy scene, helped by a highly engaging personality. Whenever he retires, the Amir of Qatar may seek someone broader - based than Mr. al-Suwaidi. End Comment.

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